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## **MEMORANDUM**

**TO:** State Agencies

**FROM:** OA/Accounting

**DATE:** July 3, 2003

**RE:** Highlights of Fixed Asset Processing Changes

System software changes have been implemented and the tables have been updated. With these software changes come some new instructions for correcting fixed asset subsystem errors, entering betterments, and transferring fixed assets within the primary government (agencies/entities within the State of Missouri).

Beginning when the system comes back up for processing, Fixed Asset Disposition (FD) documents should only be processed for true dispositions due to sale, lost, theft, etc. Agencies should stop **immediately** with using the FD document for error corrections and start using the steps listed below for error corrections. By not using the FD for error corrections, the agencies no longer have to determine the amount of prior period retained earning, current year depreciation expense or unwanted loss/gain to reverse out because of the FD document.

For keying error corrections relating to fund, fixed asset type and fixed asset number within the fixed asset subsystem agencies will now process the following documents:

- Process a Fixed Asset Modification (FC) to change the depreciation method to manual calculation (MC)
- Process a Manual Depreciation Input (MDEP) equal to zero
- Process a Fixed Asset Acquisition (FA) cancellation
- Process a new FA using the correct information

By using the FA cancellation the fixed asset subsystem can be updated without posting entries to the general ledger like the FD document did. Agencies will now be able to use the same fixed asset number if necessary.

To correct keying errors for any of the fields used in the calculation of depreciation (useful life, asset value, salvage value, acquisition date, or depreciation method) the agency will:

- Process a FC to change depreciation to MC
- Process a MDEP equal to zero
- Process another FC record using the correct information and changing the depreciation method back to straight line (SL).

This is necessary when depreciation has previously been recorded against the asset.

**NOTE:** If depreciation has not posted, then the agency would not have to process the MDEP, but would need to process a FC to correct the necessary fields.

The FC record layout has also changed in that it now requires the agency to enter an effective date instead of choosing prospective, restatement, or default when fields relating to the calculation of depreciation are changed. The effects of these FCs that change depreciation can now be viewed online using the Fixed Asset Depreciation Changes Inquiry (FADF) table.

MDEP security was previously removed because it was not working correctly. MDEP processing has been updated and the system is now posting a journal entry (hitting the accumulated depreciation and the depreciation expense) to the general ledger and zeroing out the accumulated depreciation on all the necessary tables within the fixed asset subsystem. However, the entry generated by the system does not take into account fiscal year end cut-off. Therefore, a program is being written to automatically create a Journal Voucher (JV) to correct the prior period retained earnings and the current year depreciation expense. The journal voucher will be the difference between the amount generated from the MDEP record and the sum of the current year F1 (depreciation entry) transactions up to the date of the last depreciation run. When the custom depreciation job is run at the end of the month, it will post the prior years accumulated depreciation and will update the fixed asset subsystem (same as it does now). Then the baseline depreciation job will run calculating the current year depreciation expense and posting it accordingly. The combination of these processes put the general ledger and fixed asset subsystem back where they need to be with the correct amounts.

**Please note that this automated process (for asset records crossing fiscal years and depreciation has posted) will only take care of the necessary entries when the FA is entered back into the fixed asset subsystem using straight line as the depreciation method. If the error correction does not warrant the need to put the fixed asset back into the subsystem, the agency will be responsible for doing the JV to correct the negative depreciation expense hit which resulted from the MDEP entry. Agencies will still have to process JVs to correct errors resulting from the coding of the payment document.**

Fixed Asset Betterment (FB) documents will **no longer** be used to add a betterment to an asset. Instead, the agency should complete the system generated FA document. This will allow the agency to follow the same process for all betterments regardless of what fund it was purchased from. The FB document doesn't have the cancellation feature like the FA document and there is no means of easily correcting the FB document for errors related to fund, asset type, or fixed asset number. Using the FA for recording all future betterments, will streamline the data entry and correction processes that agencies need to be familiar with. It also allows each betterment to be assigned its own useful life. FB records that were processed from prior years will remain as they are and changes can continue to be made to them if necessary by using the FC document.

Previously, the FT document could not be used when needing to transfer a fixed asset record from one agency to another agency within the primary government because of the policy that the first three digits of the fixed asset number had to be the operating agency's agency code. This required the agency trying to transfer the asset to process a FD document and JV. The receiving agency had to then process a FA record and a JV. This has proven to be a very time consuming and complicated process for the agencies to follow. Therefore, the policies and procedures have been changed to state that the first three digits of the fixed asset number must be that of the original purchasing agency. When the fixed asset needs to be transferred within the primary government the fixed asset number should remain the same for the receiving agency. This will allow the agency transferring the asset to process a Fixed Asset Transfer (FT) document entering the new responsible agency and organization. When fixed asset data is pulled from the data warehouse by agency, the fixed asset record(s) will show up in the information for the new responsible agency. When mass transfers of fixed assets are needed due to reorganizations or other reasons, the Fixed Asset Reorganization (FARO) job can be used. The agency must submit the transfer information to [OASAMIICentralAcct@mail.oa.state.mo.us](mailto:OASAMIICentralAcct@mail.oa.state.mo.us) and OA will then complete the FARO table, request the job to be run and the system will create and process all the FT documents automatically. This will update both the fixed asset subsystem and the general ledger. It also eliminates the need for processing numerous documents.

Attached are some examples of corrections for agencies to follow. The fixed asset policies and procedures and coding instructions are being updated with these changes. If agencies still have questions or need assistance, please contact the OA – Financial Reporting Section @ (573) 751-9401 or (573) 751-1979.

## **Correcting Fixed Asset Transactions**

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**When working with fixed assets, errors can occur. To help prevent these errors, it is important to remember these things:**

- ◆ Stay on top of fixed assets—at least once a month, be sure Fixed Asset documents have been entered for all Payment Vouchers documents processed, and the subsystem is reconciled to the general ledger.
- ◆ Communication between purchasing, payment, and fixed asset personnel is a MUST.
- ◆ Workflow rules must be in place to alert fixed asset personnel of fixed asset documents pending on the SUSF file.
- ◆ MUST have basic accounting knowledge.
- ◆ Must have knowledge of SAM II functionality concerning posting of fixed asset transactions.

When errors do occur, in order to make corrections for fixed asset transactions, it is important to understand the entries that are made automatically by the system.

**From the PV document** when the FA type field is entered:

DR: (Account type 23, Expenditure), Fixed asset object code, balance sheet account

CR: (Account type 01) Cash

A fixed asset document (shell) is also created and placed on the suspense file.

**No general ledger entries are made from FA or FC documents.**

**From the Manual Depreciation Record:**

DR: (Account type 11) Accumulated Depreciation (Balance Sheet 1801 through 1840)

CR: (Account type 24) Depreciation Expense (Object Code 2952)

**From the Special Depreciation Job:**

DR: (Account type 03) Prior Period Retained Earnings (Balance Sheet 3265)

CR: (Account type 11) Accumulated Depreciation (Balance Sheet 1801 through 1840)

**From the Monthly Depreciation Job (F1 entries):**

DR: (Account type 24) Depreciation Expense (Object Code 2952)

CR: (Account type 11) Accumulated Depreciation (Balance Sheet 1801 through 1840)

**From the FD documents:**

1. DR: (Account type 24) Depreciation Expense (Object Code 2952)

CR: (Account type 11) Accumulated Depreciation (Bal. Sheet 1801 through 1840)

This entry calculates and posts depreciation from the date of the last depreciation monthly run to the date of the disposition based on a 365 ¼ day year.

2. DR: (Account type 11) Accumulated Depreciation (Removes all accumulated depreciation including amount from Number 1 above.)

DR: (Account type 31) Sale of Fixed Assets for amount entered in selling price field  
(Revenue source 1328 as a negative)

CR: (Account type 01) Asset (Balance Sheet account based on fixed asset type)

DR/CR: (Account type 24) Loss/Gain on Sale of Fixed Assets  
(Object code 2954, a debit if a loss, a credit if a gain)

The gain or loss is calculated as any remaining amount that is needed to make the entry balance.

**NOTE: A FD document should only be processed when actually disposing of the asset, not for error corrections. Always enter a zero selling price unless you are actually getting cash for the asset and know the amount.**

**PREFIXES TO USE FOR JV'S REGARDING FIXED ASSETS**

**FA -**

- (1) Use when capitalizing construction in progress projects (credit b/s 1720);
- (2) Use for donated items if acquired in current year (credit revenue source code 1503).

**(NOTE)—Use “EX” if the correction is in the current year and correcting the payment voucher rather than the fixed asset document.**

**PYEF –**

Use for items not on fixed asset subsystem that were purchased in the immediately preceding fiscal year or for reconciliation of fixed asset balance sheet when expenditure was coded wrong in the immediately preceding fiscal year.

**PYFA –**

Use for items not on fixed asset subsystem that were purchased earlier than the immediately preceding fiscal year or donated in a fiscal year other than the current fiscal year.

**(NOTE)—If Balance Sheet Account is 3265, the prefix should start with PY unless related to construction-in-progress.**

Following are some examples of errors that can occur, and the proper treatment for corrections.

#### **SUBSYSTEM ERRORS:**

##### **Example A:**

If the payment document has been entered correctly, and the error (affects fund, fixed asset type, or fixed asset number) occurs on the subsystem side, a FA cancellation must be done. If depreciation has not posted, follow procedures for FA cancellation in Fixed Asset Acquisition Section.

##### **If depreciation has posted, follow these steps:**

1. Process a FC document to change the depreciation method to MC.
2. Process a MDEP record to remove the accumulated depreciation. Enter fixed asset type, number, and betterment number. Hit Browse (this will update MDEP with the accumulated depreciation amount and last depreciation date.) Enter zero on Line 1 and in Total field. In New Depr Date field, enter current date (must be later than Last Depreciation Date). Do Modify, Change for document to accept.  
**(NOTE): MDEP cannot be used if the fixed asset has betterments generated from FB documents.**
3. Process a FA cancellation. (See FA Cancellation procedures.)
4. Enter a new FA document using the correct information. Can use same fixed asset number since previous information was removed.

**NOTE: No JV document is required to correct the general ledger. If crossing fiscal years, automated JV document and custom depreciation job will correct the general ledger.**

##### **Example B:**

If payment is entered correctly, but a data entry error has occurred in the subsystem (affecting value, salvage value, acquisition date, or useful life) and depreciation has not posted, process a FC record to correct the necessary fields.

##### **If depreciation has posted, follow these steps:**

1. Process a FC document to change the depreciation method to MC.
2. Process a MDEP record to remove the accumulated depreciation. Enter fixed asset type, number, and betterment number. Hit Browse (this will update MDEP with the accumulated depreciation amount and last depreciation date.) Enter zero on Line 1 and in Total field. In New Depr Date field, enter current date (must be later than Last Depreciation Date). Do Modify, Change for document to accept.
3. Process a new FC document with correct information and change depreciation method back to straight line (SL).

**NOTE: No JV document is required to correct the general ledger. If crossing fiscal years, automated JV document and custom depreciation job will correct the general ledger.**

## **PAYMENT ERRORS:**

If the payment voucher has been entered incorrectly, process a JV with an “EX” prefix to correct object code, balance sheet account, or fund.

Examples 1 and 2 deal with using the wrong object code.

Example 3 deals with wrong balance sheet account on payment document.

Example 4 deals with trades.

**Example #1** — Purchased an item using a non-fixed asset object code. Later determined fixed asset object code should have been used.

### **Questions to ask:**

1. Is it still the same fiscal year as original posting of the payment voucher (PV)?

#### **#1A**

Yes—Same fiscal year

Process a JV with “EX” prefix

DR: (23) Expenditure (Using balance sheet account and FA object code)

CR: (22) Expense/Expenditure (Using original accounting distribution)

#### **#1B**

No—Different fiscal year

Process a JV with “PYE” prefix

DR: (01) Asset

CR: (03) Prior Year Retained Earnings (B.S. 3265)

Description field should contain document number being corrected.

**Manually create Fixed Asset Acquisition (FA) document, making sure to put original PV# in Reference Document Field and process.**

**Example #2** — Equipment purchased using a FA object code, but item should have been expensed.

**Questions to ask:**

1. Has a FA document been processed?
2. Still same fiscal year as original posting of payment voucher?
3. Has a depreciation cycle run?

**#2A**

**Answer:**

1. No—FA document has not been processed.
2. Yes—Same fiscal year.
3. NA—No depreciation cycle, since no FA document.

**Solution:**

Process a JV with “EX” prefix

DR: (22) Expense/Expenditure (No Balance Sheet account and correct object code)

CR: (23) Expenditure (Same accounting distribution as original PV document)

This will remove the amount from the balance sheet account on the general ledger and will be treated as expensed.

**#2B**

**Answer:**

1. No—FA document has not been processed.
2. No—It is a different fiscal year.
3. NA—No depreciation cycle, since no FA document.

**Solution:**

Process a JV document with a “PYE” prefix

DR: (03) Prior Year Retained Earnings (B.S. 3265)

CR: (01) Asset (Equipment, etc.)

This will remove the asset amount from the balance sheet account and the retained earnings, leaving it being treated as expensed in the fund financial statements.

**#2C**

**Answer:**

1. Yes—FA document has been processed.
2. Yes—Same fiscal year.
3. No—Depreciation cycle has not run.

**Solution:**

Process a JV using the same debits and credits as example #2A. Then process a new Fixed Asset Acquisition (FA) document. Complete with original fixed asset number, fixed asset type, transaction date, and accounting period. Mark the CANCELLATION radio button and process.

This will remove the FA from the subsystem and the appropriate tables within.



## **#2D**

### **Answer:**

1. Yes—FA document has been processed.
2. Yes—Same fiscal year.
3. Yes—Depreciation cycle has been run.

### **Solution:**

Process a Fixed Asset Modification (FC) document changing the depreciation method to MC.

Process a MDEP record, entering zero on line 1 and in the total field. This will generate a journal entry to Debit Accumulated Depreciation and Credit Depreciation Expense for the total accumulated depreciation.

Process FA Cancellation.

Process a JV with an “EX” prefix using the entries from Example 2A.

## **#2E**

### **Answer:**

1. Yes—FA document has been processed.
2. No—It is a different fiscal year.
3. Yes—Depreciation cycle has been run.

### **Solution:**

Process FC document changing depreciation method to MC.

Process a MDEP record, entering zero on line 1 and in the total field. This will generate a journal entry to Debit Accumulated Depreciation and Credit Depreciation Expense for the total accumulated depreciation.

Process FA Cancellation.

Process a JV:

DR: Depreciation Expense (for prior year accumulated depreciation)

DR: Prior Year Retained Earnings

CR: Asset (for value of asset)

**Example #3** —Fixed asset entered correctly into the fixed asset subsystem, but the wrong fixed asset type (infrs balance sheet account) was used on the payment document.

## **#3A – Same fiscal year**

Process a JV with an ‘EX’ prefix.

DR: (23) Expenditure (same accounting distribution using the correct BS account)

CR: (23) Expenditure (Same accounting distribution as original PV document)

Process a JV with a 'PYFA' prefix.

CR: (01) Asset (Incorrect BS account)

**#4A**

CR: (01) Cash (8,000)

System entry:

CR: (01) Asset (10,000)

CR: (31) Gain on Sale of Fixed Assets (Revenue Source Code 1340)	(2,000)
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This removes the loss calculated on the disposition, records the gain on the trade and puts the general ledger and the subsystem in agreement with regards to the asset's true value.

**#4B**

Assume a selling price of \$5,000 was entered.

System entry:

DR: (11) Accumulated Depreciation	7,000
DR: (31) Sale of Fixed Assets (Revenue Source 1328)	5,000
CR: (01) Asset	(10,000)
CR: (24) Loss (Object 2954)	(2,000)

Process JV with “FA” prefix to record asset to general ledger.

DR: (01) Asset	5,000	
DR: (24) Loss (2954)	2,000	
CR: (31) Sale of Fixed Asset (Revenue Source 1328)		(5,000)
CR: (31) Gain on Sale (Revenue Source 1340)		(2,000)

**OTHER FIXED ASSET REPORTING ISSUES:**

**Example I**—A fixed asset is donated. A donated asset is any item received from an individual or company outside the primary government. (The primary government for reporting purposes is the State of Missouri.)

Process a manual FA document to enter the asset in the Fixed Asset Subsystem. Use the fair market value of the asset as the acquisition cost. This can be obtained from the manufacturer or by using the cost of similar assets. The amount must be greater than the threshold amounts of \$1,000 for equipment or \$15,000 dollars for improvements and buildings. (Land should be entered at the fair market value.) Donated assets should never be entered with an amount of zero.

Process a JV with “FA” prefix to record the asset in the Balance Sheet within the General Ledger.

DR: (01) Asset

CR: (31) Revenue (Donated Assets-Revenue Source 1503)